

A nonprofit organization formed to develop and distribute a community land-use plan may be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The Internal Revenue Service has been asked whether a nonprofit organization formed to develop and disseminate an urban land-use plan qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization was created to develop and disseminate a land-use plan for a particular urban area. The plan offers solutions in major urban problem areas which include growth patterns, space utilization, population distribution, and traffic controls. The plan is designed to improve the area, eliminate existing blight, and guard against future deterioration.

The organization also encourages community cultural and educational activities. It does not ordinarily engage in real estate transactions. However, in the event property of strategic value is in danger of being exploited in a manner which might endanger the plan, the organization will purchase such property to preserve its availability for development in accordance with the plan. Property so acquired will be disposed of as quickly as possible consistent with the purposes of the plan. Such emergency purchases will be infrequent and will constitute an insubstantial part of the organization's total activities.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable or educational purposes.

Charitable is defined in section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations as including the promotion of social welfare by combating community deterioration.

Section 1.501(c)(3)-1(d)(3)(i)(b) of the regulations defines the term educational as including the instruction of the public on subjects useful to the individual and beneficial to the community.

By helping to eliminate blight and prevent future deterioration in the area, the land-use plan serves a public charitable purpose. Such a plan also educates the public on matters useful to the individual and beneficial to the community.

Accordingly, the organization is exempt from Federal income tax under section 501(c)(3) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(3) of the Code, file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the revenue district in which is located the principal place of business or principal office of the organization. See

section 1.501(a)-1 of the regulations.